

Message Text

UNCLASSIFIED

PAGE 01 ROME 04137 061746Z

ACTION EB-08

INFO OCT-01 EUR-12 EA-12 ISO-00 L-03 AID-05 CIAE-00

COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 SS-15 STR-07 CEA-01

SSO-00 NSCE-00 USIE-00 INRE-00 /093 W

-----126780 061753Z /64

O R 061615Z MAR 78

FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 1064

DEPT OF TREASURY WASHDC IMMEDIATE

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

UNCLAS ROME 4137

E.O. 11652: N/A

TAGS: EFIN, IBRD, IDB, ADB, IFIS

SUBJECT: LEGISLATIVE REQUIREMENTS FOR CALLABLE CAPITAL IN THE
INTERNATIONAL DEVELOPMENT BANKS

REF: STATE 55066

1. UNDER ITALY'S LEGISLATIVE PROCESS, CALLABLE
CAPITAL SUBSCRIPTIONS TO THE IFIS ARE NOT REPEAT NOT
APPROPRIATED BEFORE SUBSCRIBING TO THE CAPITAL IN-
CREASES. THE ONLY FUNDS APPROPRIATED ARE PAID-IN CAPITAL
FUNDS.

2. AFTER AGREEING TO SUBSCRIBE TO A CAPITAL INCREASE
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ON AN IFI, THE GOVERNMENT SENDS LEGISLATION TO PARLIAMENT
SEEKING AUTHORIZATION (ITALY DOES NOT HAVE A
SEPARATE APPROPRIATION PROCEDURE) FOR THE PAID-
IN CAPITAL AND "APPROVAL" FOR THE CALLABLE PORTION.
THE PAID-IN CAPITAL IS ENTERED IN THE BUDGET AS A
LINE ITEM AND THE CALLABLE PORTION IS NOTED IN AN ADDENDUM
TO THE BUDGET TOGETHER WITH OTHER CONTINGENT LIABILITIES

("GUARANTEES") WHICH DO NOT REPEAT NOT AFFECT GOVERNMENT EXPENDITURES. NO OTHER PROCEDURE FOR FUNDING THE CALLABLE SUBSCRIPTION IS REQUIRED.

3. SHOULD THERE BE A CALL TO MAKE PAYMENT ON THE CALLABLE CAPITAL PORTION, THEN PARLIAMENT MUST PASS AN AMENDMENT (ADJUSTMENT) TO THE ORIGINAL BUDGET WHICH IS THE NORMAL SUPPLEMENTARY BUDGET PROCEDURE IN ITALY. SUCH AN AMENDMENT ACTIVATES THE CONTINGENT LIABILITY (OR PART THEREOF) INCLUDED IN THE ADDENDUM TO THE BUDGET AT THE TIME THE PAID-IN CAPITAL WAS PASSED. PARLIAMENT REPORTEDLY TREATS SUPPLEMENTARY REQUESTS OF THIS TYPE IN A ROUTINE FASHION.
HOLMES

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NNN

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